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Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 COME-00 TRSE-00 OPIC-03 XMB-02
AID-05 IGA-02 FTC-01 FEAE-00 /032 W
----------161334Z 053927 /43
R 160515Z MAR 77
FM AMEMBASSY MUSCAT
TO SECSTATE WASHDC 3029
INFO AMEMBASSY ABU DHABI
AMEMBASSY KUWAIT

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E.O. 11652: N/A
TAGS: ECON EIND MU KU
SUBJECT: OMAN'S INDUSTRIAL PLANS OUTLINED BY COMMERCE MINISTER

REF: (A) 76 MUSCAT 1529 (B) 76 MUSCAT 1517 (C) 76 MUSCAT 0234

1. MINISTER OF COMMERCE MUHAMMAD ZUBAIR DESCRIBED OMAN'S PLANNING FOR CERTAIN LARGE INDUSTRIAL PROJECTS IN FOLLOWING TERMS DURING MARCH 12 MEETING WITH AMBASSADOR. SPEAKING OF RECENTLY AWARDED NATURAL GAS PIPELINE PROJECT (REFTEL A) HE NOTED THAT IT IS $90 MILLION OVERALL PACKAGE INCLUDING $30 MILLION FOR PIPE ITSELF (ALREADY IMPORTED) AND $60 MILLION FOR CONSTRUCTION WORK BY SNAM PROGETTI (E.N.I. SUBSIDIARY). HE SAID ONLY $30 MILLION OF LATTER $60 MILLION WILL ACTUALLY BE NEEDED TO LAY 20-INCH LINE FROM INTERIOR TO COAST NEAR SEEB, AND THAT THE VARIOUS ARAB FUNDS BASED IN KUWAIT AND ABU DHABI WHICH ARE FINANCING PROJECT HAVE AGREED THAT BALANCE OF AROUND $22 MILLION MAY BE APPLIED TO EXTEND PIPELINE NORTHWESTWARD TOWARD SOHAR FOR USE IN PROPOSED COPPER/CHROME SMELTERS WHENEVER OMANGOV IS READY TO DO SO. FIRST STAGE OF EXTENSION, SAID ZUBAIR, IS TO RUN 20-INCH PIPELINE TO PROPOSED NEW INDUSTRIAL AREA AS RAS SUWAADI NEAR BARKA. AT THAT POINT THE BATINAH COAST PROTRUDES SLIGHTLY TO SEAWARD, AND THI G WILL FACILITATE EVENTUAL CONSTRUCTION
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OF PORT FACILITIES. MEANWHILE, GOVERNMENT INTENDS TO LAY A 10-INCH PIPELINE SPUR (FROM MAIN 20AINCH LINE AS IT PASSES BY SEEB) TO FUEL THE EXISTING GHUBRA DESALTING"POWER PLANT PRESENTLY OPERATING ON CRUDE OIL.

2. SPEAKING OF REVISED PLANNING FOR LONG-STYMIED CEMENT FACTORY (REFTEL B) MINISTER SAID DISCUSSIONS ARE VERY FAR

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ALONG WITH KUWAIT CEMENT COMPANY BY WHICH IT WOULD TAKE
40 PERCENT PARTICIPATION IN OMAN'S PROPOSED CEMENT PLANT.
INSTEAD OF PUTTING UP MODEST PLANT WITH CAPACITY OF 350,000
TONS ANNUALLY, INITIAL CAPACITY WOULD BE ONE MILLION TONS
PER YEAR. ZUBAIR SAID ONE ADVANTAGE OF KUWAITI PARTICI-
PATION WOULD BE GUARANTEE BY KUWAIT CEMENT COMPANY TO MARKET
40 PERCENT OF OMANI PRODUCTION IN KUWAIT. ZUBAIR CLAIMED
OMAN NOW USES 350,000 TONS OF CEMENT A YEAR AND HE EXPECTS
THIS TO BE 5000,000 BY 1980. HE ADDED THAT OMANGOV WOULD
ATTEMPT ENTICE PRIVATE OMANI CAPITAL INTO THIS CEMENT
VENTURE ONCE FACTORY IS BUILT AND STARTS OPERATING.

3. ZUBAIR SPOKE SOMEWHAT WISTFULLY OF ESTABLISHING SMALL
STEEL PLANT DURING NEXT FEW YEARS (REFTEL C). IDEA WOULD
BE TO USE DOMESTIC NATURAL GAS IN DIRECT REDUCTION PROCESS.
SINCE HE DOES NOT THINK OMAN HAS SUFFICIENTLY RICH DOMESTIC
IRON ORE SOURCE FOR THIS PROCESS, HIGH GRADE ORE WOULD BE
IMPORTED FOR IT FROM INDIA OR BRAZIL. MINISTER COMMENTED
THAT OMAN'S STEEL USAGE IS NOW RUNNING AT 120,000 TONS PER
YEAR BUT SHOULD REACH 150,000 TONS BY 1980.

4. COMMENT: AMERICAN FIRMS WILL PROBABLY NOT OBTAIN THESE
CONTRACTS. SOME U.S. COMPANIES HAVE APPROACHED COMMERCE
MINISTRY ABOUT CEMENT PLANT, BUT KOREAN AND FRENCH FIRMS
HAVE ALREADY SUBMITTED DETAILED PROPOSALS AND SEEM TO HAVE
INSIDE TRACK. U.S. STEEL CORP., WHICH CONTACTED THE MINISTRY
WHEN SPONGE IRON/REROLLING PLANT IDEA WAS FORMULATED IN 1975,
NOW SEEMS TO HAVE LOST INTEREST. OMANI REQUIREMENTS FOR
LOCAL REPRESENTATION AND NEED FOR SUBSTANTIAL EXTERNAL
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FINANCING HAVE BEEN A DETERRENT TO U.S. PARTICIPATION IN
SOME CASES.
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Message Attributes

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Disposition Case Number: n/a
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